2008-09

ANNUAL REPORT

GOVERNMENT PURCHASING AGENCY

The Government Purchasing Agency is continued as a branch of the public service of the province. GPA Act Section 3.(1)

Newfoundland Labrador

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Message from the Minister

It is my pleasure to present the Government Purchasing Agency's (the Agency) 2008-09 Annual Report. As Minister responsible I am accountable for the results reported. The report is performance based and reflects the success of the Agency in meeting the 2008-09 goals and objectives as outlined in its 2008-11 Business Plan. It will also provide details on Agency activities and identify potential opportunities and challenges for 2009-10.

The mandate of the Agency is to provide leadership and support to the public sector in the areas of procurement and supplier development. This authority is provided through both the *Government Purchasing Agency Act* and the *Public Tender Act*. During the year the Agency has worked diligently in meeting this obligation. Through its on-going partnerships it has continued to deliver training and information to both the public sector and supplier community. Staff have also been working towards the implementation of a new procurement solution for Government. This system will provide both the public service and supplier community with greater access to procurement information.

I would like to take this opportunity to acknowledge those who contributed to this report and the dedication of the staff of the Government Purchasing Agency.

Sincerely,

Kevin O'Brien

Kevin O'Brien, MHA

Minister of Government Services

The Government Purchasing Agency (the Agency) is an independent branch of the public service with 29 staff positions under the management and control of a Chief Operating Officer. The Agency operates under the authority of the *Government Purchasing Agency Act* and the *Public Tender Act*.

- *Government Purchasing Agency Act* - outlines the mandate of the Agency and provides for its operation.
- *Public Tender Act* - primary legislation that governs procurement within the public sector.

Vision

The vision of the Agency is of an informed public sector and supplier community participating in a transparent and equal opportunity procurement environment. Its programs and services are guided by this vision.

Mission

The mission statement of the Agency is expressed as follows:

> *By 2011, the Government Purchasing Agency will have improved internal business processes to enhance efficiencies in the procurement process.*

It aims to achieve this mission through

- work flow processes are clearly defined and communicated to staff,
- policies and procedures are clearly defined and communicated to staff,
- improved turn-around times for processing requisitions,
- consolidating purchasing activity for volume buying, and
- increased access to procurement information.

Organizational Structure

The Agency has four divisions which collectively ensure the delivery of its programs and services;

- Procurement,
- Audit,
- Contracts, Systems and Supplier Development, and
- Planning and Administration.

Each division reports directly to the Chief Operating Officer who reports to the Minister of Government Services. Clients of the Agency include government departments, government funded bodies and the supplier community.

There are currently 23 staff members with a female to male ratio of approximately 1.5:1. There are four Directors, two of which are female. The following chart depicts the male female staff breakdown.

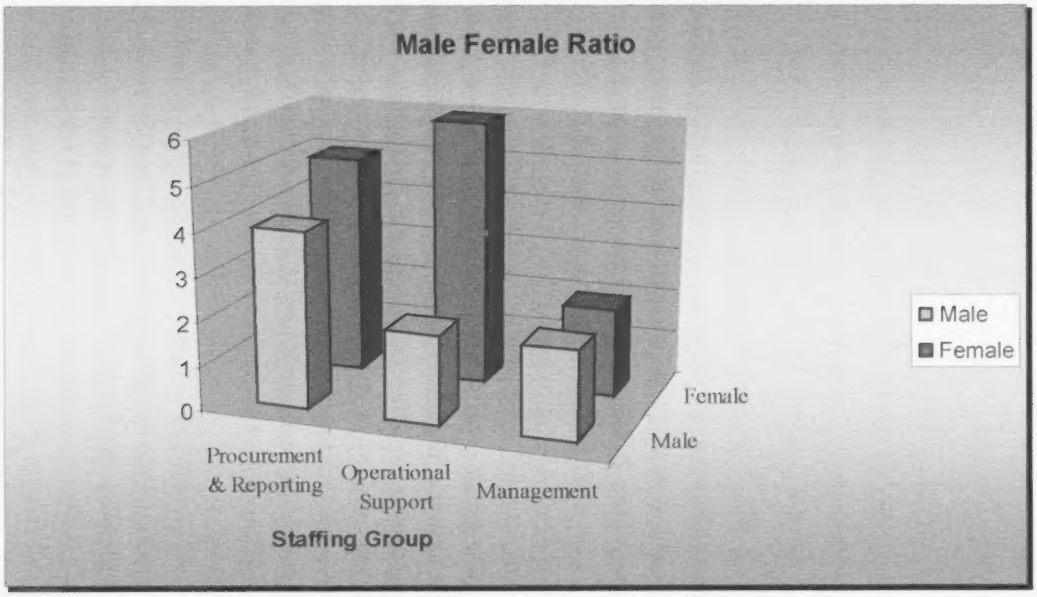

Figure 1 – Male Female Staff Compliment.

The Agency is located in the Petten Building, 30 Strawberry Marsh Road, St. John's, NL. It serves all its clients from this location.

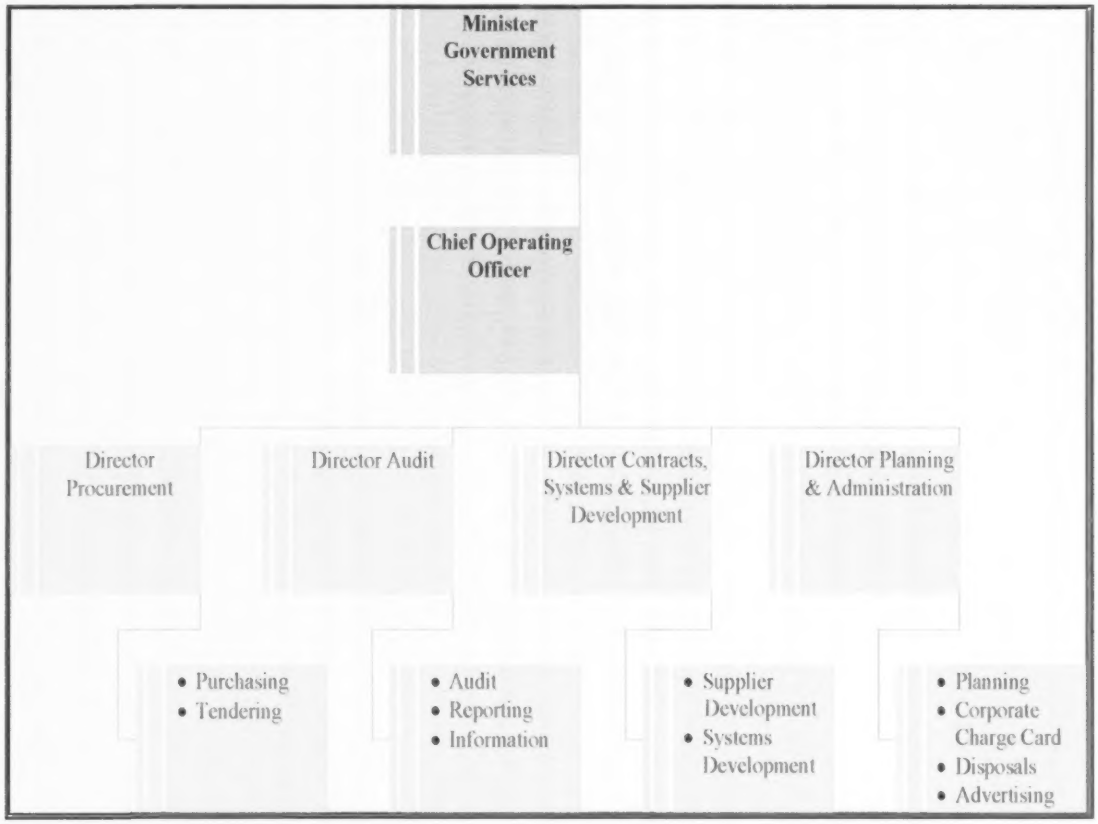

Figure 2 – Government Purchasing Agency Organization Chart

Mandate

The Government Purchasing Agency is responsible for the acquisition of all goods and services required by departments of the public service. This authority may be delegated in full or in part to departments where it is deemed by the Chief Operating Officer to be efficient to do so. The Agency may also acquire goods and services required by government-funded bodies. This action, however, requires direction from the Lieutenant-Governor in Council.

The Agency is responsible for reporting exceptions to the *Public Tender Act*, awards to other than the preferred bidder and information respecting a tender invitation and tender award. The Chief Operating Officer has the authority to express an opinion with respect to the sufficiency of the grounds for exceptions to the *Public Tender Act*.

Audits of departments and government funded bodies are carried out to ensure compliance with procurement legislation. Training is provided to members of the public service and supplier community to ensure awareness of applicable legislation and purchasing policies and procedures.

Lines of Business

The mandate and operations of the Agency are captured by two lines of business – Procurement and Audit, Information and Training.

Procurement

The procurement cycle includes the following;

- tendering and acquisition of goods and services,
- coordination and administration of high volume contracts,
- coordination of departmental advertising,
- disposal of crown assets, and
- the provision of corporate charge cards for business travel.

Tendering and Acquisition of Goods and Services

In accordance with the *Public Tender Act*, goods and services in excess of $10,000 are publicly tendered unless special circumstances exist. Acquisitions less than or equal to $10,000 require three quotes or a fair and reasonable price.

The Agency uses a website, www.gpa.gov.nl.ca, to advertise bidding opportunities with an estimated value of $2,500 or greater. Departments may use this site to advertise any Requests for Proposals. In addition, crown corporations, municipalities, academic institutions, school boards and health care facilities may advertise their tender opportunities here.

This website provides the public with a central location to access provincial procurement

information. Individuals can obtain information on various publications as well as links to the tendering sites of government funded bodies and other provinces.

Coordination of High Volume Contracts

The Central Purchasing Authority was established to coordinate and administer a system of high volume procurement on behalf of departments and government-funded bodies. In 2008-09, it administered 34 contracts for various commodity items.

Advertising

Advertising is used to communicate significant issues, vital information and bidding/ employment opportunities. The advertising requirements of government departments are coordinated through the Agency. Through this process the Government of Newfoundland and Labrador is able to achieve significant cost savings.

Disposals

The Agency coordinates and arranges for the disposal of assets on behalf of government entities. Disposal methods consist of public tender, auction, transfers between departments or agencies, and destruction when there is no remaining realizable value. It also maintains a warehouse in Pleasentville where surplus government assets are stored.

Corporate Charge Card

The Government of Newfoundland and Labrador utilizes a Corporate Charge Card for travel-related goods and services. This system, which is administered by the Agency, facilitates business travel for employees of the public service by offering an efficient payment method. In 2008-09, there were 2,543 active cards.

Audit, Information and Training

Audit

The Agency is responsible for the administration and proper application of procurement legislation and intergovernmental trade agreements. In accordance with this responsibility, the Agency performs audits of departments and government funded bodies to ensure compliance with legislation. It also provides interpretative services to those seeking clarification on procurement issues.

Legislation and Agreements

- Government Purchasing Agency Act
- Public Tender Act
- Public Tender Regulations
- Atlantic Procurement Agreement
- Agreement on Internal Trade

Training

The Agency provides information and training regarding the *Public Tender Act*, *Government Purchasing Agency Act*, Atlantic Procurement Agreement, the Agreement on Internal Trade and purchasing policies and procedures. The goal is to provide participants with the required information to ensure procurement is completed in a manner consistent with legislation.

To participate in the many bidding opportunities available suppliers must also remain informed of government's legislation, policies and processes. Through partnership with the Department of Innovation, Trade and Rural Development the Agency provides forums throughout the Province where the public can gather information on the procurement process (i.e. the type of goods and services purchased, how these items are acquired and how to gain access to bidding opportunities).

Reporting/Information

The *Public Tender Act* identifies the reporting responsibilities of the Agency with respect to exceptions to the *Act*. Throughout the year 1,283 exceptions were reported and subsequently submitted to the House of Assembly in the form of monthly exception reports.

Tender and award information from departments and government-funded bodies is also collected and analyzed throughout the year. The Tender Award and Reporting System, developed by the Agency, allows for the monitoring of procurement patterns across the province and the success of local companies bidding on Government tenders. This information is invaluable in assisting with the supplier development initiative.

Shared Commitments

The Agency continues to develop and maintain relationships with various government departments, the industry sector and federal and territorial governments.

Public Sector

In its Strategic Directions the Agency committed to compliance with the *Public Tender Act*. To support this direction, the Agency continued to deliver its "Introduction to Purchasing" training to management. This is included as part of the Leadership and Management Development Strategy delivered through the Centre for Learning and Development (CLD). This module provides participants with information on the proper application of the *Public Tender Act* and Regulations and the intergovernmental trade agreements. The CLD coordinates delivery of the presentation and ensures feedback is obtained from participants to measure the value of the information presented.

A similar presentation "Overview of Purchasing" is available to departmental support staff and employees of government funded bodies. In addition, Agency staff continue to be accessible to the public service in the development of tender specifications, evaluation of bids, the tendering and award process and interpretation and application of relevant legislation. By informing the public service of the legislative requirements and assisting them in their on-going procurement needs, the Agency is promoting compliance and increasing transparency and accountability within procurement.

The Agency has also partnered with the Office of the Chief Information Officer (OCIO) in the development and implementation of a comprehensive procurement solution. This system is integral to the Agency in meeting its commitment to improve internal business processes and enhance efficiencies in procurement and tendering. It has been an on-going initiative requiring the input and cooperation of many departments throughout Government. Once implemented the system will greatly improve operational efficiencies and allow suppliers easier access to procurement opportunities and information.

Industry

The Agency is continuing in its partnership with the Department of Innovation, Trade and Rural Development (INTRD) in the supplier development initiative. The Department of INTRD coordinates supplier information sessions throughout the Province and partners with the Agency to promote awareness of government procurement practices and potential bidding opportunities.

Federal/Territorial Governments

The Agency administers the intergovernmental procurement agreements on behalf of the Province. The Government of Newfoundland and Labrador's involvement with these agreements has become a valuable means of reducing trade barriers across provinces. The purpose of implementing intergovernmental procurement agreements is to establish a framework that will ensure equal access to procurement for all suppliers. The agreements contribute to a reduction in purchasing costs and the development of a strong economy. Participation directly supports the Ministers' commitment to supplier development. It ensures local suppliers have an equal opportunity when bidding on Government tender opportunities throughout the Atlantic Provinces and the rest of Canada.

The Agency is also a member of both the national working group for furthering green procurement and the national working group for furthering the development of ethical procurement practices.

Continued participation in the Computers for Schools Program remains a priority. This is a national program that operates in cooperation with all provinces and territories, and the volunteer and private sectors. This partnership ensures quality used computers are forwarded to schools. The following chart depicts the Agency's contribution for the past three years through the donation of monitors, CPU's, hard drives and laptops.

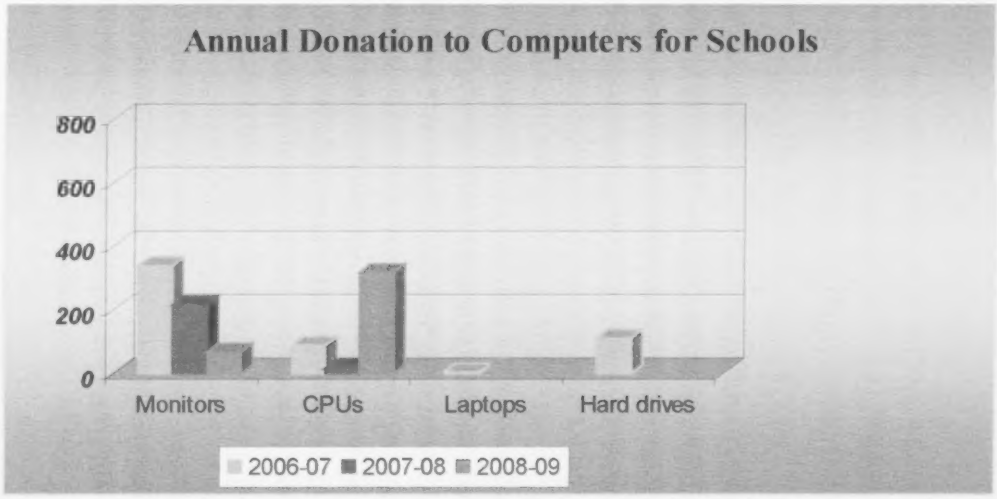

Figure 3 Computers for Schools

Purchasing

- In 2008-09, the Agency completed a review of the legislative requirement to obtain three quotes for low-dollar value acquisitions. The result was a policy change, effective April 1, 2009, requiring departments to obtain one quote for acquisitions less than $500. This has greatly reduced the administrative costs associated with these acquisitions and improved operational efficiencies.

- In 2008-09, acquisitions made through the Oracle purchasing module totaled $738 million. This compares to $648 million in 2007-08 and $481 million in 2006-07.

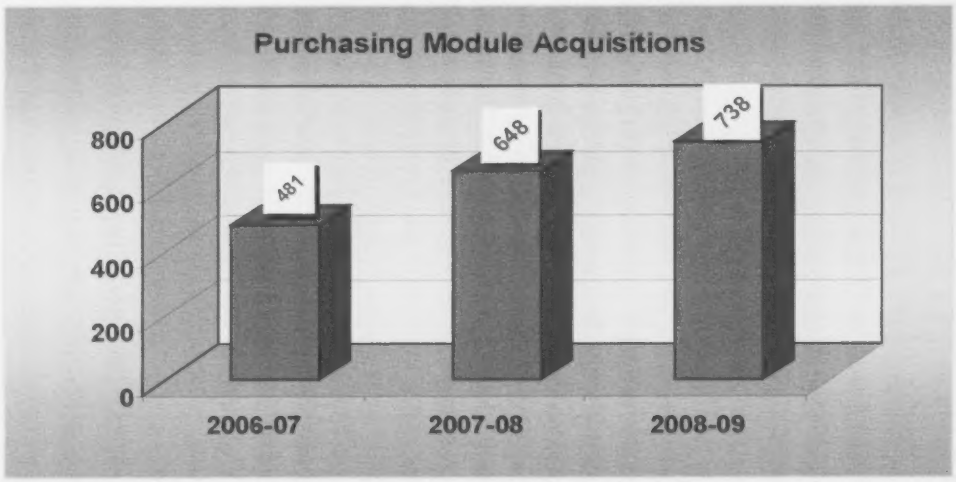

Figure 4 – Purchasing Module Acquisitions

- In 2008-09, there were 13 public auctions and six disposal tenders on behalf of government departments and agencies. This mirrors the previous year activity of 13 auctions and eight disposal tenders.

- In 2008-09, the estimated expenditure for coordinated advertising was $4.3 million compared to $3.7 million in 2007-08.

- In 2008-09, the Central Purchasing Authority coordinated 34 contracts to be used by both government departments and government funded bodies.

- Estimated expenditures related to contracts administered by the Central Purchasing Authority was $74,000,000.

Audit, Information and Training

- In 2008-09, 10 audits of government funded bodies and departments were performed.

- In 2008-09, there were 1,283 exceptions reported to the House of Assembly as compared to 1,268 in 2007-08.

- The Agency partnered with the Centre for Learning and Development to successfully develop and deliver curriculum to public service managers and employees, in support of the applicable legislation and process that guides the procurement of goods and services. As part of the broader knowledge management strategy of the Centre, this module was redesigned to an e-learning format to facilitate the ongoing delivery of critical knowledge in an effective and efficient manner. This change, which takes effect in the 2009-10 fiscal year, allows employees to access this training directly from their desktop.

- Throughout the year the Agency delivered its "Introduction to Purchasing" module to 51 management personnel.

- The "Overview of Purchasing" presentation was delivered to 124 public sector employees.

- Representatives from the Agency participated in two Supplier Development sessions which were held in Deer Lake and Clarenville.

- Staff participated in a reverse trade show which provided suppliers the opportunity to showcase their products to public sector exhibitors.

In its 2008-11 Business Plan the Agency identified two key priorities of the Minister. These were recognized in consideration of Government's strategic directions and mandate and the financial resources of the Agency.

(i) Review of internal business processes, and

(ii) Access to procurement information

The Business Plan also outlined goals and objectives to be achieved during the next three years and their impact on the issues.

Issue 1: Review of Internal Business Processes

Goal: **By 2011, the Government Purchasing Agency will have initiated the implementation of priority recommendations resulting from a review of internal procurement processes**.

Objective: By 2009, the Government Purchasing Agency will have reviewed existing internal procurement practices.

Measure: Reviewed existing internal business processes.

Indicator: Report is developed to identify multi-year comparative data.

The Minister, in the Strategic Directions, committed to "Improved Efficiencies in the Procurement Process". To ensure the successful delivery of its programs and services Agency staff adhere to well established policies and procedures. Without a commitment to continual improvement even current procedures may become stagnate. To guarantee on-going operational effectiveness the Agency, in 2008-09, completed a review of its internal business processes.

Discussion of Results

During the 2008-09 year the Agency reviewed its internal practices for the purpose of streamlining operational efficiencies. Primary areas of focus were operational and procurement procedures.

Operational

Throughout the year a detailed review of administrative operations was undertaken. This involved a step-by-step analysis of existing practices. Processes surrounding document handling, information requests and releases were documented. The end result was a report detailing existing procedures and areas where there exists the potential for positive change. The two areas identified were:

- electronic access to tender/bid information and
- the electronic transfer of procurement documents

The following data will be collected on an on-going basis to determine the volume of activity and possible new means to access and deliver information:

- Volume of requests for tender / bidding information
- Response time to vendor requests
- Method of information delivery

Continual monitoring of this data will enable the Agency to establish appropriate benchmarks for administrative operations and set timelines for vendor/departmental responses.

Procurement

Throughout the year the Agency monitored the activity levels of procurement staff. Information concerning daily requests and completion times were collected and analyzed. The purpose was to determine trends in procurement activity to more effectively plan

staffing levels and ensure a quick and accurate response to client needs. With this information the Agency has identified the following indicators for continued monitoring and analysis:

- Volume of activity
- Turnaround time based on acquisition type
- Turnaround time based on commodity
- Quarterly trends
- Departmental trends

This analysis will enable the Agency to identify monthly and seasonal trends in procurement as well as expected completion times. This information will support planning of staffing levels to meet anticipated increases in activity. It will also assist in determining appropriate turnaround times for communication to departments.

A review of the requirement to obtain three quotes for low-dollar value acquisitions was also completed. The purpose was to determine the effectiveness of current requirements and the associated costs or benefits. This involved on-site collection of departmental quote and purchase information, by Agency staff, over a seven month period. The analysis focused on the number of acquisitions, administrative costs and any savings achieved. Data covering a twelve month period was collected and analyzed.

A report outlining the quantitative as well as qualitative issues related to the existing process was completed in February 2009. In it, the Agency recommended a new process for low-value procurement. The recommendation, which was implemented April 1, 2009, has greatly reduced the administrative effort while maintaining compliance with the *Public Tender Act.*

Given the successes achieved in 2008-09 the Agency is able to move to the next phase in its three year plan.

Objective: **By 2010, the Government Purchasing Agency will have analyzed data to identify potential opportunities to enhance the procurement process.**

Measure: **Compiled and analyzed multi-year comparative data.**

Indicator: **Report developed identifying recommendations for enhancing the procurement process**.

Issue 2: Access to Procurement Information

Goal: **By 2011, the Government Purchasing Agency will have implemented a complete reporting system providing the public service and supplier community with greater access to government procurement information.**

Objective: By 2009, the Government Purchasing Agency will have identified reporting and monitoring requirements.

Measure: Reporting and monitoring requirements identified.

Indicator: Report compiled outlining the reporting requirements.

Currently, it is difficult to gather and analyze program statistics. A structured reporting system is not in place which makes manual data collection necessary. This has hindered on-going program evaluation and development. In 2007-08, the Agency had several great accomplishments in its initial steps at increasing information availability. The first was the implementation of the Tender Award and Reporting System. This has allowed for easier access to valuable information required for the Supplier Development Initiative. The award of a contract for a complete procurement solution was another milestone. It was the initial step in acquiring a system which will increase access to procurement information for both

government and suppliers. In 2008-09 the Agency was able to expand on these successes.

Discussion of Results

During 2008-09, the Agency collected procurement information through its Tender Award and Reporting System. This semi-annual report illustrates how Government procurement dollars are dispensed throughout the Province. Further analysis and reporting of this data identified the need for additional information. Statistics on the commodities purchased, dates and locations will enable the Agency to assess the appropriateness of volume buying and regionalized procurement opportunities. It will also assist the Agency in identifying commodities which are not readily available in the Province. This information will be used to support Government's commitment to Supplier Development.

Agency staff also continued to work with departments throughout Government on the implementation of a complete procurement solution. This has been a major undertaking involving the coordinated effort of several departments and the industry sector. The identified system must be compatible with Government's existing technology and meet strict security guidelines. The compatibility and security testing has been a lengthy and demanding process with completion anticipated in the 2009-10 fiscal year.

Once fully operational, the system will provide Government with superior statistical and reporting capabilities. It will enable government to more easily monitor procurement trends within the Province, provide for self-service capabilities for both the public sector and supplier community, maximize use of local vendors and extract audit and reporting information. From the supplier perspective, vendors will have easy access to registration procedures, tender and award information and the ability to submit bids electronically.

Having outlined these reporting requirements the Agency is able to proceed with the next step in its three year plan.

Objective: **By 2010, the Government Purchasing Agency will have initiated implementation of enhanced reporting and monitoring tools.**

Measure: **Initiated implementation of enhanced reporting and monitoring tools.**

Indicator: **Report compiled identifying reporting and monitoring tools.**

Opportunities and Challenges

The impending implementation of a complete procurement system will create many opportunities and challenges for the Agency and government as a whole. The new system, with its self-service components, will create a high demand for training. However, once fully implemented there will be increased efficiencies and faster turnaround times. The system will also provide the reporting and analysis tools required to improve upon volume buying opportunities, review seasonal purchasing trends, regional supply and demand, etc.

The Agency is continuing in its "Review of Government's Procurement Legislation, Policies and Processes". Results of the consultant's report are being discussed with departments and government funded bodies to obtain their input on possible changes. This is a timely process and also requires a coordinated effort. However, the opportunity exists to make changes which will bring the Province to the forefront of public procurement.

Information provided by the Tender Award and Reporting System will assist in identifying product demand and availability across the Province. This provides a great opportunity for the Agency to assist local suppliers competing for government business. The challenges exist in collecting and analyzing the data with the aim of strengthening the provincial supplier market.

Streamlining the procurement process under the Corporate Services Business Model will present a significant challenge to the Agency in 2009-10. The goal from the purchasing perspective is the centralization of procurement activities under the authority of the Government Purchasing Agency. The success of this reorganization will require the repositioning of staff across departments, developing additional policies and procedures and communicating the new processes to all departmental employees across government.

Increasing access to procurement information will also be challenging for the Agency. While electronic data transfer will greatly increase efficiencies, concerns arise with protecting

the personal information of suppliers. Before action can be taken the Agency must ensure compliance with the *Access to Information and Protection of Privacy Act*.

Financial Statements

Expenditure and revenue figures included in this document are un-audited and based on public information provided in the Report on Program Expenditures and Revenues of the Consolidated Revenue Fund for the Year Ended March 31, 2009. Audited financial statements are a requirement at the government level and are made public through the public accounts process, however, the Government Purchasing Agency is not required to provide a separate audited financial statement.

Government Purchasing Agency
Statement of Expenditure and Related Revenues
For Fiscal Year Ending 31 March 2009

		Estimates	
	Actual	Amended	Original
Salaries & Benefits	$1,237,973	$1,787,600	$1,675,300
Transportation & Communication	53,843	55,500	80,000
Supplies	20,927	32,900	22,900
Professional Services	40,892	55,000	25,000
Purchased Services	169,489	177,500	183,900
Property, Furnishings & Equipment	12,054	14,200	1,700
	$1,535,178	**$2,122,700**	**$1,988,800**
		Less Revenues	
	($215,091)	($258,000)	($258,000)
Total Government Purchasing Agency	**$1,320,087**	**$1,864,700**	**$1,730,800**

Newfoundland
Labrador